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For Immediate Release

Toronto - Councillor Michael Walker (North Toronto) today stated that the City's Toronto Olympic Bid Report's revised range of Olympic financial outcomes is unacceptable.

"TO-Bid's current budget calculates an \$87 million subtotal before other costs; the final result could be a very large deficit. Based on our access to publicly available information, we calculate there could be a deficit of \$450 to \$890 million (all amounts in year 2000 Canadian dollars)."

Commenting on a sensitivity analysis in the **Toronto Olympic Bid Report ("TOB Report")** that included an assumption that the proposed 2008 Olympics could do 5% better than TO-Bid's own budgeted outcomes, Councillor Walker said:

"It's not very astute to take the numbers from a project's promoter and buff them up even more than the promoter is willing to do".

On the question of a **possible conflict of interest** by the preparers of the report, he stated:

"I am concerned that City Staff who worked on the review were also involved in the preparation of the Master Plan budget and are in a conflict of interest as they are reviewing their own work. Further, the report does not disclose the names of the persons from TO-Bid or its suppliers who contributed text to the TOB Report"

Explaining his concern on the **possible financial downside on the Olympics**, Councillor Walker said:

"The Olympics are a discretionary project. Further, any surplus is divided among the IOC, the Canadian Olympic Association and for amateur sport in Canada. The City of Toronto would get 0% of any surplus."

He also stated: *"To exclude foreseeable costs from the budget at this crucial time and to consider only a 5% downside on TO-Bid's budget ignores the potential pitfalls for Toronto and Ontario on this large one-time project. The City currently carries a \$1.5 billion debt burden and*

it has been a difficult fight for Queen's Park to cut the provincial deficit. Shortfalls in revenues and ballooning Olympic costs could impact the financial strength of both Toronto and Ontario."

On the potential deficit, Walker identified eight major areas of financial exposure as well as five potential costs for which costs could occur but the amount is unclear. Walker stated:

"My office's research into the TOB Report and TO-Bid's Master Plan showed the adjustments to TO-Bid's currently calculated bottom line could include (see also attached summary schedule):

1. **Revenue shortfall.** The provincial guarantee is for operating costs, not operating revenues. We have no guarantee that TO-Bid's non-IOC revenues (ticket sales, etc.) are achievable. These are calculated as \$1.6 billion. Sydney currently is short A\$200 million on ticket revenues. A 7.5% to 15% revenue contingency for TO-Bid would equal \$120 million to \$240 million. The TOB Report concedes a possible \$53.5 million shortfall in ticket revenues could occur.¹ However, no adjustment was calculated by City staff for shortfalls in local sponsor revenues or other non-International Olympic Committee (IOC) revenues.
2. **Operating costs contingency.** TO-Bid has calculated its operating costs of \$1.874 billion. If there is a 7.5% to 15% overrun on these costs, that translates to a \$141 million to \$281 million reduction to the currently forecast Olympic bottom line of \$87 million. Whether it's a Toronto cost or with some form of provincial guarantee, there is just one taxpayer. The City's staff report calculates a possible "\$72 million deficit" from a 5% variation in certain costs without providing details or adjusting the claimed \$87 million surplus.²
3. **Paralympics.** The operating costs of the Paralympics, to follow the Olympics in mid to late September, are excluded from TO-Bid's budget. Sydney's net operating deficit (revenues less operating costs) on the Paralympics has been estimated for Sydney as \$24 million by the Auditor of New South Wales. City staff identified a cost of \$18 million for the Atlanta's Paralympics but did not adjust TO-Bid's budget for even this \$18 million amount.³
4. **Cultural program.** TO-Bid excludes this item from its budget.⁴ The Auditor of New South Wales estimated the net cost for Sydney as being \$13 million.⁵ City staff disclose that the Cultural program "has been included in the text of the Master Plan but not included in the

¹ "Toronto Olympic Bid", February 11, 2000, page 30, paragraph 2.

² "Toronto Olympic Bid", February 11, 2000, page 35, paragraph 3

³ "Toronto Olympic Bid" Report, February 11, 2000, page 30, paragraph 5.

⁴ "Toronto Olympic Games Budget", August, 1999, note 7.

⁵ *The Sydney 2000 Olympic and Paralympic Games - Review and Estimates*, The New South Wales Audit Office, January 1999, Executive Summary, page 11.

Master Plan budget".⁶ Once again, no adjustment is made to the preliminary \$87 million surplus by City staff. TO-Bid claims the cultural program would be self-financing.

5. **Paralympic capital costs.** TO-Bid's current budget excludes the capital cost of the Paralympics. If the cost of adapting venues is assumed to be 5% to 10% of the facility costs, this would be an additional \$34 to \$69 million negative impact on the budgeted \$87 million surplus. City staff do not address this cost in their report although TO-Bid's *Master Plan* discloses this cost is excluded from the facilities budget.⁷
6. **Construction financing.** TO-Bid's *Master Plan* states that its current budget excludes "construction financing (if required)".⁸

The New South Wales Auditor found that almost 62% of the Sydney Olympics' cash receipts are being received in 1999-2000; 49% of its broadcast revenues are received only in Year 2000.⁹

TOB Report states that "while the exact timing of expenditures has yet to be detailed, the \$19 million interest expense allowance included in the Master Plan budget appears to be adequate for servicing the expected amount of short-term debt".¹⁰ The nature and extent of any independent review by City staff on this \$19 million interest cost is not disclosed.

The City Staff report also does not explain the contradiction between the *Master Plan's* disclosure that construction financing costs are excluded¹¹ and the identification of a \$19 million budgeted interest cost in TO-Bid's budget.

The City staff also do not release either their cash flow calculations or details on the amount and time of the additional debt Toronto would have to shoulder.

If 25% of the currently estimated \$687 million Olympic venues construction budget, or \$172 million would have to be borrowed at 7% for 3 or 4 years, the financing cost would reduce TO-Bid's budgeted surplus of \$87 million by \$36 to \$48 million. The Sydney Olympics Organizing Committee has required a \$145 million overdraft facility.¹²

⁶ "Toronto Olympic Bid" Report, February 11, 2000, page 30, paragraphs 3-5.

⁷ Toronto 2008 Olympic and Paralympic Games Master Plan, November 19, 1999, page 8-9, paragraph 2.

⁸ *Ibid*, page 8-9, paragraph 2.

⁹ The Sydney 2000 Olympic and Paralympic Games - Review and Estimates, The New South Wales Audit office, January 1999, Executive Summary, page 11, paragraph 5.

¹⁰ "Toronto Olympic Bid" Report, February 11, 2000, page 36, paragraph 1.

¹¹ Toronto 2008 Olympic and Paralympic Games Master Plan, November 19, 1999, page 8-9, paragraph 2.

¹² The Sydney 2000 Olympic and Paralympic Games - Review and Estimates, The New South Wales Audit Office, January 1999, Executive Summary, page 11, paragraph 6

7. **Design changes for International Sports Federations and other items.** The current \$687 million venues budget is based on conceptual drawings rather than detailed drawings¹³ None of the designs have the written approval of the International Sports Federations. Any design changes would therefore not be covered under any performance bond for the already-selected project manager, PCL Constructors. Substandard soil conditions are also excluded; the Portlands are filled land. A preliminary provision of a 10% to 15% allowance for specification changes and other costs would equal \$69 to \$103 million.
8. **Port relocation costs.** If Toronto's Port has to be relocated because of the Olympic venues and the Olympic Village in the Portlands, I estimate the cost could be \$100 to \$200 million. As a former Chair of the Toronto Harbour Commission, I believe this is a major item that cannot be ignored. *The TOB Report* discloses that "the primary legacy facilities will include the aquatics centre in the Portlands, the Olympic Stadium in the Portlands, (and) a rowing and canoeing course in the ship canal"¹⁴. It's clear that Toronto's Port would have to find a new home.

The above costs could take the "Olympic Dividend" from \$87 million to a deficit of \$450 million to \$891 million. In addition, there are the following costs for which no estimate or preliminary calculation has been made:

1. **Land and lease acquisition costs for venues and facilities.** The costs to acquire land, either privately owned, or in the public domain, is excluded. For public land, we have to look at the opportunity cost of donating it to the Olympics. No estimate has been prepared to date. However, this cost needs to be investigated before City Council commits to anything.
2. **Relocation costs.** To move companies with valid leases or ownership from the proposed Olympic venues would require compensation for loss of leasehold improvements and business disruption. These costs need to be addressed now as they cannot be ignored.
3. **Toronto City Centre Airport closure.** A main runway flight path for Toronto City Centre Airport, currently used for 140+ weekly commuter airline flights, traverses the proposed Olympic Village/Olympic stadium site. If the airport is closed or operations are restricted for security and noise abatement reasons, then TO-Bid would have to pay compensation to airlines, flight schools, general aviation tenants as well as the Toronto City Centre airport.

¹³ Mr. Ken O'Malley, P.Eng., Construction Manager, PCL Constructors in discussion with Charles Smedmor, February 10, 2000.

¹⁴ "Toronto Olympic Bid" Report, February 11, 2000, page 33, paragraph 4

